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Annual Report—March 31st, 1964  
**CANADIAN AVIATION ELECTRONICS LTD.**

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## **BOARD OF DIRECTORS**

R. FRASER ELLIOTT, Q.C., Montreal, Que.  
JAMES F. TOOLEY, Montreal, Que.  
T. N. BEAUPRÉ, Vancouver, B.C.  
HENRY BENSON, Montreal, Que.  
AIR MARSHALL HUGH CAMPBELL, Ottawa, Ont.  
PETER D. CURRY, Winnipeg, Man.  
H. HEWARD STIKEMAN, Q.C., Montreal, Que.  
HON. G. S. THORVALDSON, Q.C., Winnipeg, Man.  
F. G. WINSPEAR, Edmonton, Alta.

## **OFFICERS**

R. FRASER ELLIOTT, Q.C., Chairman of the Board  
JAMES F. TOOLEY, President  
B. J. KAGANOV, Vice-President — Aero Space  
R. W. COOKE, Vice-President — Electronics  
J. W. BELL, Vice-President — Engineering  
D. S. D. McDONALD, Vice-President  
A. H. MIELKE, Vice-President — Western Division  
G. G. JAMES, Comptroller and Secretary



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## CANADIAN AVIATION ELECTRONICS LTD. AND SUBSIDIARY COMPANIES

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### FINANCIAL HIGHLIGHTS

	1964	1963
Sales . . . . .	\$36,854,204	\$28,000,000
Profit before provision for income taxes . . . . .	\$3,156,582	\$1,600,971
Profit after taxes. . . . .	\$1,499,082	\$ 972,857
Common shares outstanding . . . . .	1,062,753	1,042,803
Earnings per share . . . . .	\$ 1.37	\$ .93
Working capital . . . . .	\$3,096,158	\$3,027,994
Working capital ratio . . . . .	1.6	1.4
Long-term indebtedness . . . . .	\$3,202,229	\$4,421,305
Net worth . . . . .	\$5,496,670	\$4,288,693
Book value per share . . . . .	\$ 5.17	\$ 4.11

### STATEMENT OF WORKING CAPITAL

	1964	1963
WORKING CAPITAL AT BEGINNING OF YEAR . . . . .	\$3,027,994	\$2,258,886
INCREASES		
Net income for the year . . . . .	1,499,082	972,857
Increase in reserve for depreciation . . . . .	618,803	424,529
Proceeds from sale of capital stock. . . . .	78,950	190,759
	<u>\$5,224,829</u>	<u>\$3,847,031</u>
DECREASES		
Reduction in long-term debt . . . . .	1,157,158	437,118
Additions to fixed assets . . . . .	374,760	174,704
Dividends paid and payable . . . . .	249,371	103,933
Adjustment to working capital due to purchase of subsidiary companies during year . . . . .	347,382	103,282
	<u>2,128,671</u>	<u>819,037</u>
WORKING CAPITAL AT END OF YEAR. . . . .	<u>\$3,096,158</u>	<u>\$3,027,994</u>



Operations of Canadian Aviation Electronics Ltd. and its subsidiaries for the year ending 31st March 1964 resulted in the highest earnings and sales so far recorded. Consolidated earnings were \$1,499,082 or \$1.37 per outstanding common share compared with last year's \$972,857 or 93c per share. Sales were \$36,854,204 as against \$28,000,000. for the previous year.

Net bank indebtedness of the company was reduced during the year by \$2,600,000 (from \$4,500,000 to \$1,900,000) which is approximately the position forecast in last year's report. Working capital remained constant at \$3,100,000, the main charges to which were a reduction of long-term debt by \$1,157,158 and capital expenditures of \$374,760.

Dividends were paid to owners of preferred shares of Canadian Bronze and B.C. Air Lines Limited, totalling \$38,050 and to owners of CAE common shares at the rate of 20c per share. Total dividend payments amounted to \$249,371. At their first meeting after the year-end your directors declared an extra dividend of two and one-half cents per share and announced an increase in the dividend rate of two and one-half cents per share per quarter beginning with the first quarterly payment in the new fiscal year. This increase brings the annual rate to 30c per share.

The current backlog of unfilled orders

amounts to \$36,000,000. Last year at the same time it was \$45,000,000. The reduction is primarily accounted for by the cancellation or non-renewal of two contracts (announced last January) resulting from a change in defence policy.

We believe there is good cause for optimism for the coming year in both commercial and defence fields. In the case of the former we expect continued benefits from the increased activity generated by wheat sales and from the economic expansion taking place throughout the country. The long-awaited white paper on defence is now a matter of record and this, together with subsequent clarifying statements by the Minister of National Defence, gives strong indications of a more stable equipment procurement policy and greater government support for research and development which is so important to our industry.

In the flight simulator field we have established an international reputation of which we are justly proud. We have met delivery schedules with the F-104 simulator, a sophisticated product that is providing the Armed Forces of five countries with the means of low-cost training for high performance airplanes.

### **CAPITAL EXPENDITURES**

Your directors have approved capital expenditures for the coming year totalling



\$1,100,000 for CAE and its subsidiaries. The most important project will be the extension and modernization of the Winnipeg facilities of Canadian Bronze. Work has begun on a \$700,000 program which will bring all of the Canadian Bronze Central Division operations under one roof. A new building will house plating and machine shops and plant offices. The Winnipeg foundry will be completely modernized at the same time to increase the company's capability to meet requirements for the foreseeable future.

The balance of capital expenditures will ensure that up-to-date equipment is available for operations, production and research in all other areas. In the case of B.C. Air Lines our policy is to maintain the fleet at a high standard, to reduce the number of types of aircraft where possible, and to replace the older aircraft as the economics of the situation dictate. This company has been making an increasing contribution to consolidated profits.

## **RESEARCH AND DEVELOPMENT**

The year has been a particularly busy one for the research-and-development group of your company. Total expenditure on these projects amounted to approximately \$800,000, of which about 35% or \$278,000 was contributed by one or other of the government departments involved in the various programs.

A working prototype of the advanced weather radar display system mentioned in our report last year has been installed at Dorval Airport and will soon be ready for demonstration to potential customers.

A design study project on digital techniques in the field of simulation is well advanced and we are satisfied that your company now has a potential in this direction which will become increasingly important as time goes on.

Your company shared with the National Research Council the distinction of receiving in Canada the first pictures transmitted from the TIROS VIII weather satellite. Experiments in this direction are continuing with a view to developing a marketable product for weather forecasting agencies.

The TELEPATH line of solid state telegraph equipment was expanded during the year, and commercial acceptance of the devices and orders on hand are promising for the future.

## **REPAIR-AND-OVERHAUL**

The repair-and-overhaul operations at both CAE Montreal and CAE Winnipeg have held up well and continue to be an important part of the overall business of your company. We believe this activity will continue for the foreseeable future.



## PERSONNEL

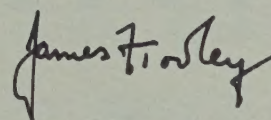
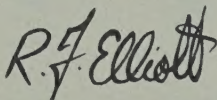
We record with deep regret the death during the year of Hon. Wilfrid Gagnon, C.B.E., a distinguished Canadian and a member of the CAE Board of Directors since February 1951. J. Bartlett Morgan and D. Stewart Patterson submitted their resignations as members of your Board of Directors subsequent to the year end due to other interests involving possible conflict with those of CAE. We acknowledge the contribution to the affairs of your company made by these gentlemen during their tenure of office.

The diversification of your company, by acquisition, has made certain organizational changes desirable. B. J. Kaganov has been appointed Vice-President, Aero Space

responsible for the Electronics Division, headed by R. W. Cooke, for Northwest Industries Limited, of which C. D. Reekie is Executive Vice-President and General Manager, and for Oneida Electronics Inc., of which Donald J. Millar is Vice-President and General Manager. C. J. Konzuk who has been Manager, CAE Electronics GmbH, returns to Montreal as General Sales Manager — Electronics Division, and is replaced in Germany by M. J. Livis. During the year R. Kenneth Robertson joined Canadian Bronze Company Limited as Vice-President, Manufacturing.

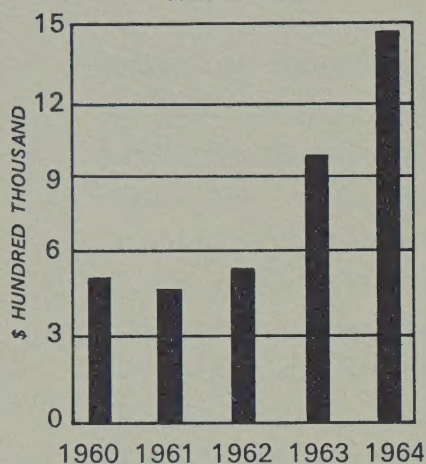
The members of the Board of Directors take this opportunity to sincerely thank all employees and shareowners for their continued support during the year.

On behalf of the Board of Directors

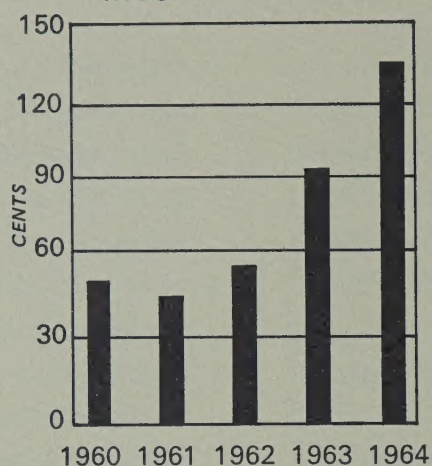
  
*Chairman* *President*



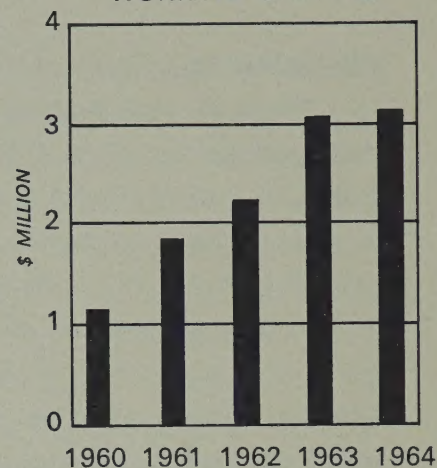
NET PROFIT



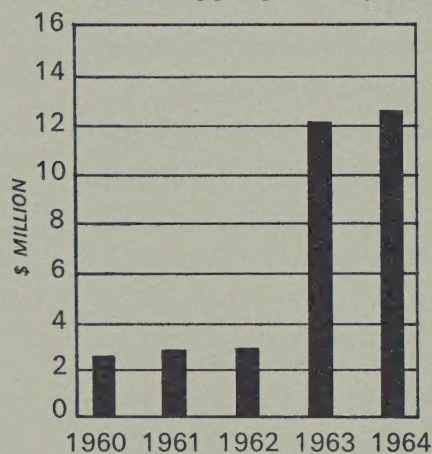
INCOME PER SHARE



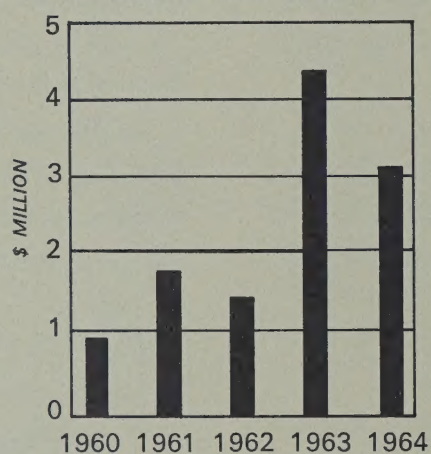
WORKING CAPITAL



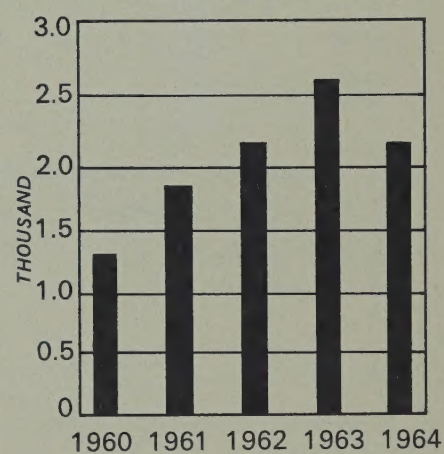
FIXED ASSETS AT COST



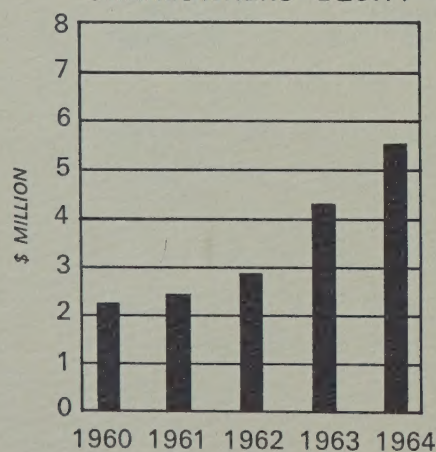
LONG TERM DEBT



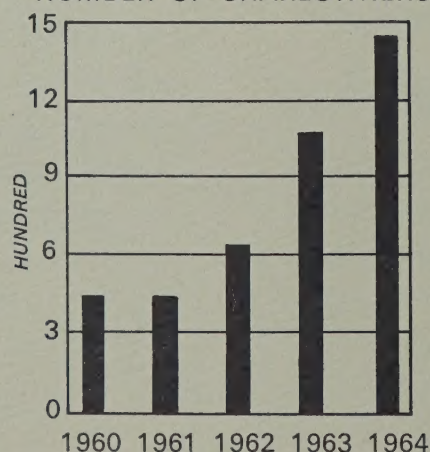
NUMBER OF EMPLOYEES



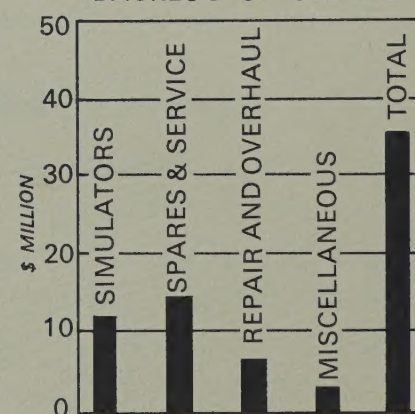
SHAREOWNERS' EQUITY



NUMBER OF SHAREOWNERS



BACKLOG OF ORDERS





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**CANADIAN AVIATION ELECTRONICS LTD. AND SUBSIDIARY COMPANIES**

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**CONSOLIDATED STATEMENT OF EARNINGS****FOR THE YEAR ENDED MARCH 31, 1964**

(with comparative figures for the previous year)

	1964	1963
Gross revenue.....	\$36,854,204	\$22,459,322
Manufacturing, selling and administration costs .....	<u>33,697,622</u>	<u>20,858,351</u>
Profit from operations before taxation and after charging the undermentioned items.....	3,156,582	1,600,971
Provision for income taxes.....	<u>1,657,500</u>	<u>628,114</u>
Net earnings for the year.....	<u><u>\$ 1,499,082</u></u>	<u><u>\$ 972,857</u></u>
Items charged before determining net earnings		
Depreciation of fixed assets.....	\$ 598,308	\$ 326,221
Directors' fees.....	22,328	18,775
Remuneration of executive officers.....	311,000	294,303
Interest on long-term debt. ....	140,259	107,875
Legal expense.....	45,334	10,539

**CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS****FOR THE YEAR ENDED MARCH 31, 1964**

(with comparative figures for the previous year)

	1964	1963
Balance — beginning of year.....	\$ 2,591,672	\$ 1,722,748
Add: Earnings for the year.....	<u>1,499,082</u>	<u>972,857</u>
	4,090,754	2,695,605
Deduct: Dividends.....	<u>249,371</u>	<u>103,933</u>
Balance — end of year.....	<u><u>\$ 3,841,383</u></u>	<u><u>\$2,591,672</u></u>



# CANADIAN AVIATION ELECTRONICS LTD. AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEET

(with comparative figures for 1963)

### ASSETS

	1964	1963
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 188,617	\$ 491,392
Marketable securities . . . . . (Market value \$186,375)	169,024	117,387
Accounts receivable —		
Trade . . . . .	3,717,878	3,853,222
Other . . . . .	485,857	941,620
Inventories — at lower of cost or market less progress billings	3,468,124	4,693,351
Prepaid expenses . . . . .	127,958	259,111
Total current assets . . . . .	<u>8,157,458</u>	<u>10,356,083</u>
<b>FIXED ASSETS — at cost</b>		
Land . . . . .	1,225,270	1,225,270
Buildings . . . . .	5,305,914	5,276,270
Plant and equipment . . . . .	4,655,899	4,343,136
Aircraft . . . . .	1,657,803	1,625,450
	<u>12,844,886</u>	<u>12,470,126</u>
Less: Accumulated depreciation . . . . .	<u>6,875,387</u>	<u>6,256,584</u>
	<u>5,969,499</u>	<u>6,213,542</u>

APPROVED ON BEHALF OF THE BOARD:

R. F. ELLIOTT Director

JAMES F. TOOLEY Director

\$14,126,957

\$16,569,625



# **STATEMENTS OF FINANCIAL POSITION AS AT MARCH 31, 1964**

(For the previous year)

## **LIABILITIES**

	1964	1963
<b>CURRENT LIABILITIES</b>		
Bank overdraft . . . . .	\$ 192,749	\$ 315,166
Notes payable . . . . .	227,270	2,679,646
Dividends payable . . . . .	62,513	61,620
Accounts payable and accrued liabilities . . . . .	2,742,819	3,131,844
Provision for income and profits taxes . . . . .	1,260,216	599,043
Other taxes payable . . . . .	182,491	85,611
Current instalments of long-term debt . . . . .	393,242	455,160
Total current liabilities . . . . .	<u>5,061,300</u>	<u>7,328,090</u>
<b>LONG-TERM DEBT</b>		
Loans from Industrial Development Bank . . . . .	1,120,000	1,430,000
Amount due on purchase of land payable June 1964 . . . . .	63,361	163,361
Notes payable April 4, 1965 (of which \$770,000 secured) . . . . .	1,670,000	2,000,000
Loans — secured by mortgages on land and buildings and by assignment of lease . . . . .	348,868	827,944
	<u>3,202,229</u>	<u>4,421,305</u>
Less: Instalments included under current liabilities . . . . .	393,242	455,160
	<u>2,808,987</u>	<u>3,966,145</u>
Preferred shares of consolidated subsidiaries . . . . .	760,000	986,697
<b>CAPITAL STOCK AND SURPLUS</b>		
Capital stock —		
Authorized —		
1,500,000 common shares without nominal or par value		
Issued and fully paid —		
1,062,753 common shares (1963 — 1,042,803 shares) . . . . .	1,502,962	1,424,012
Earned surplus . . . . .	3,841,383	2,591,672
Surplus arising on consolidation . . . . .	152,325	273,009
	<u>5,496,670</u>	<u>4,288,693</u>
	<u>\$14,126,957</u>	<u>\$16,569,625</u>



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## CANADIAN AVIATION ELECTRONICS LTD. AND SUBSIDIARY COMPANIES

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### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1964

1. Loans from Industrial Development Bank consist of (a) \$840,000 at 6½% repayable by monthly instalments of \$17,500 to March 1968 and in respect of which \$1,400,000 6½% First Mortgage Bonds of Canadian Aviation Electronics Ltd. have been issued as collateral security and (b) \$280,000 at 7% repayable \$100,000 annually and in respect of which \$600,000 7% Mortgage Bonds of B. C. Air Lines Ltd. have been issued as collateral security.

It is a condition of each loan that the respective companies may not declare dividends without prior written consent of Industrial Development Bank, which consent the bank has agreed shall not be unreasonably withheld.

2. 30,447 common shares are held or reserved for purchase by officers and employees.

3. A substantial part of the company's sales is made to the Canadian Government. These sales are subject to adjustments on Government audit. The management is of the opinion that full provision has been made for any adjustments that may arise in final determination of contract prices.

4. Depreciation claimed for Federal tax purposes to date has exceeded depreciation charged in the accounts by approximately \$527,000. Federal income taxes may be increased in future years if the provision for depreciation in the accounts exceeds the amounts which may be claimed for tax purposes.

5. Preferred shares of consolidated subsidiaries —

7,500 5% Cumulative redeemable preferred shares of Canadian Bronze Company Limited....	\$750,000
1,000 5½% Cumulative redeemable participating shares of B. C. Air Lines Limited.....	10,000
	<u>\$760,000</u>

### AUDITORS' REPORT TO OUR SHAREOWNERS

We have examined the consolidated balance sheet of Canadian Aviation Electronics Ltd. and its subsidiaries as at March 31, 1964 and the consolidated statements of earnings and earnings retained in the business for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except that it was not practicable to confirm Canadian Government receivables as to which we have satisfied ourselves by means of other auditing procedures. The accounts of five subsidiaries included in the consolidated financial statements were examined and reported on by other public accountants.

In our opinion, based on our examination and the reports of other public accountants and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and earnings retained in the business together with the notes attached thereto, are properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs as at March 31, 1964 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON

Auditors

April 28, 1964



**HEAD OFFICE**

6214 Cote de Liesse Rd., Montreal, Quebec

**WESTERN DIVISION**

387 Sutherland Avenue, Winnipeg, Manitoba

**ONEIDA ELECTRONICS, INC.**

Utica, New York

**C.A.E. ELECTRONICS GmbH**

Stolberg, Aachen, West Germany

**NORTHWEST INDUSTRIES LIMITED**

Edmonton, Alberta

**B.C. AIR LINES LIMITED**

Vancouver, British Columbia

**CANADIAN BRONZE COMPANY LIMITED**

Montreal, Winnipeg, Calgary

**MUNICIPAL SIGNAL & SUPPLY DIVISION**

St. Laurent, Quebec

**BANKERS**

Canadian Imperial Bank of Commerce, Montreal

The Toronto-Dominion Bank, Montreal

First National City Bank, New York

**AUDITORS**

Riddell, Stead, Graham & Hutchison,  
Chartered Accountants, Montreal

**COUNSEL**

Stikeman, Elliott, Tamaki, Mercier & Turner, Montreal

Thorvaldson, Eggertson, Saunders & Mauro, Winnipeg

**TRANSFER AGENTS**

Crown Trust Company,  
Montreal-Toronto

**REGISTRAR**

Montreal Trust Company,  
Montreal-Toronto



## DIVISIONS AND SUBSIDIARIES

The initials "CAE" were at one time simply the short form of the name of the original company — Canadian Aviation Electronics Ltd. In the last few years however, they have become the signature of a group of Canadian companies, quite diversified and widely spread geographically.

The following thumb-nail sketches will give some idea of the varied operations with which the company is now concerned.



## CAE ELECTRONICS DIVISION

The Electronics Division, housed in a modern plant on Cote de Liesse Road in greater Montreal, is the largest single component in the CAE industrial family. It is staffed, on an average, by about 1,000.

The division designs and manufactures electronics systems: — to control the flow of gas through pipelines; to teach men to fly supersonic aircraft; to speed up communications; to add, subtract, divide and multiply at lightning speed to do a multitude of jobs better.

It also manufactures industrial products ranging from thermoplastic injection moulding machines, and devices which detect wiring faults in electronic assemblies, to electronic boxes which modernize existing telegraph circuits and make them capable of performance never dreamed of by the men who installed them.

The Cote de Liesse Road plant is also headquarters for the company's considerable electronic research-and-development effort and the point at which airplane weapon control systems are repaired and overhauled for the RCAF and the air forces of other NATO countries.



The electronics division main plant on Cote de Liesse Road in Montreal.



Electronics sub-assembly, Montreal.

## CAE WESTERN DIVISION

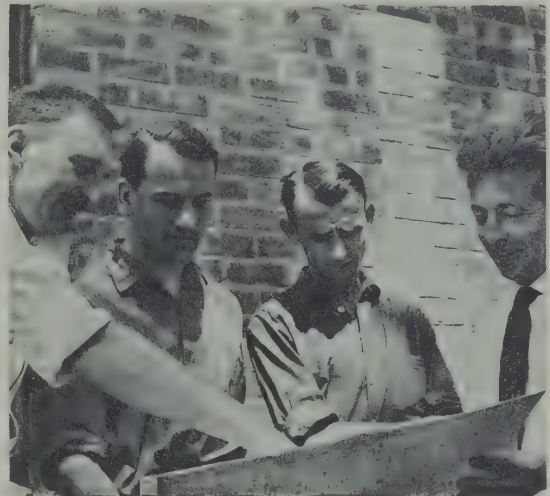
The CAE Western Division, located in Winnipeg, is an electronic repair-and-overhaul base and a center from which electronic installation, maintenance and calibration work, mainly on military radar and telecommunication equipment, is carried out. The division also supplies test equipment and repair-and-overhaul and calibration services to a variety of military and commercial customers. It maintains the only Commercial Primary Standards Laboratory in Western Canada and employs about 160.



CAE metrologist checks device which measures time in thousands of one second in standards laboratory.

## C.A.E. ELECTRONICS GmbH

The company's European subsidiary, located in Stolberg, West Germany, was established to undertake the maintenance of the F-104 simulators manufactured by CAE and located at a number of NATO air force bases in Europe. It is staffed by



A field service team discusses simulator installation in Belgium.

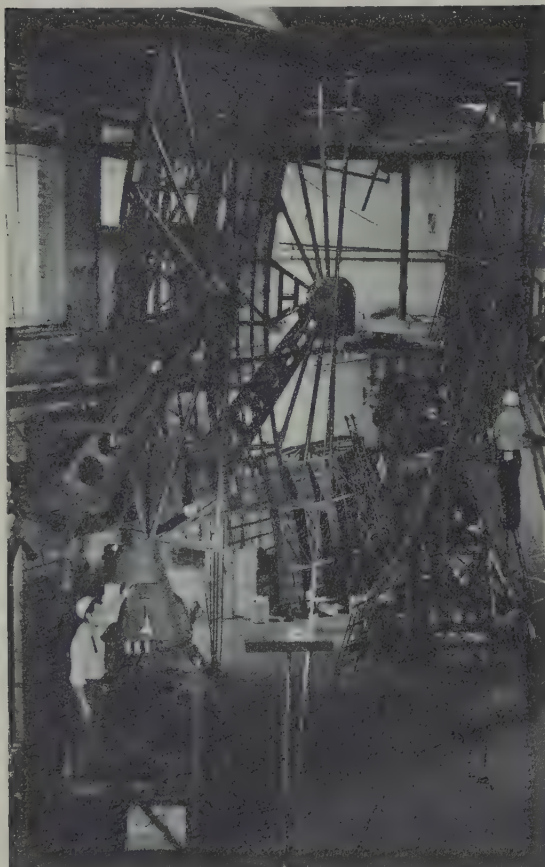
approximately 125 well-qualified technicians, Canadian and European born, most of whom received simulator training at the CAE Electronics Division in Montreal.

## ONEIDA ELECTRONICS INC.

Another CAE subsidiary, Oneida Electronics in Utica, N.Y., was established early in 1960 to undertake telecommunication repair-and-overhaul work for the U.S. Air Force. The firm quickly branched out to include the repair-and-overhaul of heavy radar and, more recently, manufacturing. Oneida is currently well into a program to produce 229 field radio-teletype systems



for the U.S. Army Signal Corps under a contract amounting to nearly \$3 million. Employment at Oneida stands at about 125.



Heavy radar antennae being checked in Oneida repair-and-overhaul shop.

#### *Directors*

J. W. Bell — R. W. Cooke  
G. G. James — B. J. Kaganov  
D. S. D. McDonald — J. F. Tooley

#### *Officers*

President — D. S. D. McDonald  
Vice-President — D. J. Millar  
Secretary — D. C. Smith  
Comptroller — N. G. Gooch

### **NORTHWEST INDUSTRIES LIMITED**

Northwest Industries, in Edmonton, is one of the largest organizations involved in aircraft repair-and-overhaul in Canada. It provides services to both military and civilian agencies and individual airplane owners.

The company also operates a modern instrument laboratory which reconditions aircraft instruments, oil field instruments and scientific optical devices.



T-33 jets in repair and overhaul hangar.

Northwest Industries also manufactures and distributes in Canada the Huber Paraffin Scraper, a device which prevents paraffin deposits from building up in oil well pipes.

It is currently developing a new product line, fibreglass reinforced plastic tanks and pipes for the petroleum, chemical and pulp and paper industries. The company employs approximately 500.



*Directors*

E. L. Bunnell — Air Marshall Hugh Campbell  
 R. F. Elliott, Q.C.  
 C. D. Reekie — J. F. Tooley

*Officers*

President — J. F. Tooley  
 Exec. Vice-President — C. D. Reekie  
 Comp. & Secretary — S. E. Ridgway

**B.C. AIR LINES LIMITED**

B.C. Air Lines is the largest air line operating entirely in British Columbia. With 28 airplanes it flies more than 50,000 revenue producing flights each year. It employs approximately 110 of whom 29 are pilots.



Passengers from a mainline carrier transfer to a BCA shuttle service plane bound for small outposts on the Queen Charlotte Islands.

The company provides scheduled and charter services between Vancouver and Vancouver Island as well as points on the mainland as far north as Prince Rupert and the Queen Charlotte Islands.

*Directors*

W. M. Anderson — T. N. Beaupré  
 G. L. Best — Air Marshal Hugh Campbell  
 R. F. Elliott, Q.C. — J. F. Tooley

*Officers*

President — W. M. Anderson  
 General Manager — G. L. Best  
 Comptroller — D. G. Hosgood

**CANADIAN BRONZE COMPANY LIMITED**

Canadian Bronze Company Limited has its headquarters and main plant in Montreal and operates divisions in Winnipeg and Calgary. Total employment is about 260. The company supplies a wide range of non-ferrous castings and machined products for the railways, steamships, pulp and paper mills, steel mills, the aircraft industry, marine works and general industry.

*Directors*

R. F. Elliott, Q.C. — G. G. James  
 D. M. Loucks — A. J. Moore  
 R. K. Robertson — J. F. Tooley

*President and Chief*

Exec. Officer — D. M. Loucks

*Vice-President —*

Marketing — A. J. Moore

*Vice-President —*

Manufacturing — R. K. Robertson

*Comptroller and*

Secretary — E. L. Bigelow



Journal bearing production.





Skilled artisans also create a wide range of fine ornamental, religious and commemorative products.

### MUNICIPAL SIGNAL & SUPPLY DIVISION

In May, 1964, CAE purchased the business of Municipal Signal & Supply Company Limited, a 16-year-old firm operating in St. Laurent, Que. and employing approximately 30 persons. Its main product is the horizontal traffic signal, marketed under the trade name SYMBOLITE, for which it holds both Canadian and United States patents.

The horizontal signals placed over traffic lanes are much more easily seen than the conventional vertical lights, and provide for greater traffic control. Another distinctive feature, they have different shaped lights — square for the twin red stop lights, diamond shaped for the amber or caution lights and round for the green — as an aid for colour blind drivers.

The company also manufactures machines which thaw frozen pipes and hydrants, and central-office fire alarm panels.

The thawing machines are in use from coast to coast and the horizontal signals and the fire alarm systems are widely used in Quebec and New Brunswick.

#### *Officers*

Douglas B. Hughes — General Manager  
G. C. Berry — Asst. General Manager  
A. R. Morris — Comptroller



Field team checking new installation.





